

Message Text

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ACTION SS-15

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SUBJ: ROLE AND OBJECTIVES OF EXIMBANK IN YUGOSLAVIA

REF : STATE 158487

1. REFTEL HAS PROVIDED OPPORTUNITY TO REVIEW PROGRESS/PROBLEMS OF EXIMBANK OPERATIONS TO DATE IN YUGOSLAVIA AND TO SEE WHERE WE GO FROM HERE.

2. EXIM EXPOSURE IN YUGOSLAVIA HAS INCREASED MARKEDLY IN RECENT YEARS. AS OF JUNE 30, 1973, EXIM-ASSISTED SALES TO YUGOSLAVIA AMOUNTED TO \$410 MILLION IN US-EXPORT VALUE, WITH SUBSTANTIAL PRELIMINARY COMMITMENTS AMOUNTING TO OVER \$500 MILLION MORE. MAJOR PROJECTS FINANCED WITH EXIM PARTICIPATION INCLUDE AIRCRAFT PURCHASES BY JAT, STEEL MILLS FOR RMK/ZENICA AND SMEDEROVO, EXPANSION OF HIP/PANCEVO CHEMICAL INDUSTRY AND LOCOMOTIVES FOR YUGOSLAV RAILWAYS. MAJOR PENDING PROJECT IS KRSKO NUCLEAR PLANT WITH A US-EXPORT VALUE IN EXCESS OF \$125 MILLION.

3. YUGOSLAVIA HAS HAD NO SUBSTANTIAL ASSISTANCE PROGRAMS FROM ABROAD FOR SEVERAL YEARS. FILLING THIS GAP, EXIM, TOGETHER

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WITH IBRD FOR MORE CONCESSIONAL LOANS, HAS BECOME MAJOR

COMPONENT OF GOY BORROWING POLICY. GIVEN CONTINUING MODERNIZATION REQUIREMENTS AND BOUYANT DEMAND WE EXPECT EXIM FINANCING TO PLAY EVEN GREATER ROLE IN YUGOSLAVIA IN FUTURE. AVAILABILITY OF EXIM FINANCING HAS CLEARLY CONTRIBUTED TO ORDERLY AND SUSTAINED YUGOSLAV ECONOMIC GROWTH - A BASIC USG POLICY OBJECTIVE.

4. IN WAKE OF POST - 1971 CURRENCY REALIGNMENTS, WE FIND THAT US EQUIPMENT AND GOODS HAVE BECOME INCREASINGLY PRICE COMPETITIVE HERE AGAINST MAJOR EUROPEAN COMPETITORS. IN NEAR FUTURE, WE HOPE TO SEE ACTIVE AMERICAN COMPETITION FOR HIGH-PRIORITY DEVELOPMENT PROJECTS IN TRANSPORTATION, ENERGY, PIPELINE CONSTRUCTION, MINING AND SMELTING, FERROUS AND NON-FERROUS METALS, BASIC CHEMICALS AND TOURISM. WE ANTICIPATE THAT AGGRESSIVE MARKETING BY US FIRMS. COUPLED WITH ADVANTAGEOUS LONG-TERM EXIM FINANCING WILL WIN SUBSTANTIAL PORTION OF PROJECTS IN THESE FIELDS FOR US EQUIPMENT AND GOODS.

5. INTAGIBLE BENEFITS ALSO ACCRUE TO US THROUGH HIGH LEVEL OF EXIM ACTIVITY HERE, NAMELY, PULL TOWARD WEST EXERTED BY FLEXIBLE, MASSIVE, AND NON-POLITICAL CREDIT SOURCES. FINANCING VIA EXIM (AND OTHER WESTERN SOURCES) COMPARES VERY FAVORABLY WITH SOVIET CREDITS AND THEIR CUMBERSOME AND ARTIFICIAL BARTER/CLEARING/PRICING SYSTEM.

6. YUGOSLAV POLICYMAKERS HAVE OFTEN CHARACTERIZED GOY-EXIM RELATIONS AS EXTREMELY GOOD. THERE ARE NO MAJOR PROBLEMS OUTSTANDING BETWEEN EXIM AND GOY. FOR FUTURE, GOY WILL CONTINUE TO INSIST ON GREATER FLEXIBILITY BY EXIM IN LOCAL COST FINANCING AND WOULD LIKE TO SEE EXIM COOPERATION WITH YUGOSLAV CONTRACTORS IN THIRD-COUNTRY PROJECTS. CFF PROGRAM SHOULD BE GREATLY EXPANDED AND PROBABLY WILL, AS DOMESTIC RESTRICTIONS ON FOREIGN BORROWING ARE EASED.

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